

D R A F T
504 Loan File Checklist

Loan Name _____	Total Project Amount \$ _____
Loan Number _____	Gross Debenture \$ _____
Lender Name _____	Approval Date _____
First Lienholder _____	First Lien Amount \$ _____
Reviewer Name _____	Funding Date _____
Check any of the following that apply to this loan	Review Date _____
<input type="checkbox"/> Processing	<input type="checkbox"/> Servicing
<input type="checkbox"/> EPC/OC	<input type="checkbox"/> Franchise
<input type="checkbox"/> Liquidation	<input type="checkbox"/> Change in Ownership
<input type="checkbox"/> New Business	<input type="checkbox"/> Existing Business
Use of Proceeds	
Purchase R/E _____	Leasehold Improvements _____
Other _____	Machinery/Equipment _____
	Other _____

1. SBA Form 912, "Statement of Personal History" obtained on each applicable loan participant) (13 CFR §§120.110(n), 191) Yes ☐ No ☐
 ✓ Personal histories required from all principals; (13 CFR §120.191; SOP 50 10 4e, Subpart A, Chapter 6, Paragraph 4.d.); and
 No Associate is incarcerated, on probation, or parole, or indicted for specified crime(s). (13 CFR §120.110(n); SOP 50 10 4e, Sub A, Chap 2, Para 8.n.)

2. Size determinations were correct and analyzed according to SBA policy. Business, together with affiliates, meets one of the following size standards:(13 CFR §120.100(d)) Yes ☐ No ☐
 ✓ Business is small via size determination as of the date of the CDC's approval of the loan and any possible affiliation has been identified (primary industry of SBC, NAICS code, size standard, annual receipts or employees of SBC, size conclusion). (Sub A, Chap 2, Para 2.f., Sub A Chap 3).
 ✓ Business, together with affiliates, meets ordinary size determination or has both a tangible net worth of \$6 million or less and an average net income after taxes of \$2 million or less (excluding loss carry-forwards). (SOP 50 10 4e, Sub H, Chap 11, Para 4)

3. Written evidence that credit is not otherwise available on terms not considered unreasonable without guarantee provided by SBA (Sub A, Chap 2, Sec 3) (p 12).(13 CFR §120.101; SOP 50 10 4e, Sub A, Chap 2, Para 3) Yes ☐ No ☐

4. Personal resources test was applied and enforced according to SBA policy: (13 CFR §120.102; SOP 50 10 4e, Sub A, Chap 2, Para 4) Yes ☐ No ☐
 ✓ (including gross liquid assets of each proprietor, general partner, limited partner owning 20% or more of business, each limited liability company owner, each stockholder with 20% or more ownership, and owner spouse(s)) (Sub A, Chap 2, Sec 4)

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5. Business is a for-profit, domestic operation (Sub A, Chap 2, Sec 8) (pp.28 & 31). Yes ☐ No ☐
(13CFR §120.110; SOP 50 10 4e, Sub A, Chap 2, Para 8)
✓ The following businesses are **not eligible**, unless certain exceptions have been met: Non-Profit (13 CFR §120.110(a)); Engaged in lending (§120.110(b)); Passive holder of real and/or personal property (§120.110(c)); Life insurance company (§120.110(d)); Located in a foreign country (§120.110(e)); Pyramid sales distribution plan (§120.110(f)); Engaged in gambling (§120.110(g)); Illegal (§120.110(h)); Restricted membership (§120.110(i)); Government-owned (§120.110(j)); Engaged in promoting religion (§120.110(k)); Consumer or marketing cooperative (§120.110(l)); Engaged in loan packaging (§120.110(m)); Lender or CDC ownership (§120.110(o)); Sexually prurient in nature (§120.110(l)); With associate engaged in political or lobbying activities (§120.110(r)); or Speculative (§120.110(s)).
6. No prior loss to the Government from prior federal financial assistance demonstrated by loan applicant(s). (13 CFR §120.110(q); SOP 50 10 4e, Sub A, Chap 2, Sec 8.q.) Yes ☐ No ☐
7. All EPC/OC conditions have been met. (13 CFR §120.111; SOP 50 10 4e, Sub A, Chap 2, Para 9) Yes ☐ No ☐ N/A ☐
✓ Written lease plus options for term of loan, and subordinated to loan; (§§120.111(a)(3), 111(a)(4))
✓ Assignment of rents paid; (§120.111(a)(3))
✓ OC is co-borrower or guarantor, and, if loan includes working capital, OC must be a co-borrower; (§120.111(a)(5))
✓ Each 20% or more owner of EPC or OC is personal guarantor (trustee executes on behalf of trust); (§120.111(a)(6))
✓ Lease payment is no greater than debt payment plus reasonable property maintenance; (§120.110(c) investment property prohibition)
✓ 100% of space is leased by OC directly from EPC; (§120.110(c) and SOP 50 10 4e, Sub A, Chap 2, Para 9) and
✓ If EPC is a trust, additional conditions have been met. (§120.111(b))
8. Project creates/retains one Job Opportunity for every \$35,000/\$50,000 guaranteed by SBA or overall CDC Job Opportunity average is met or project achieves one of the specified economic development objectives. (13 CFR §§120.860, 861, 862; SOP 50 10 4e, Sub H, Chap 10, Para 2, 3, 4) Yes ☐ No ☐

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9. Project is **not**: Yes ☐ No ☐
Relocation of any of the operations of a small business which will cause a net reduction of one-third or more in the workforce of a relocating small business or a substantial increase in unemployment in any area of the country, unless the CDC can justify the loan because: (13 CFR 120.881; SOP 50 10 4e, Sub H, Chap 11, Para 5)
- ✓ The relocation is for key economic reasons and crucial to the continued existence, economic wellbeing and/or competitiveness of the applicant; and
 - ✓ The economic development benefits to the applicant and the receiving community outweigh the negative impact on the community from which the applicant is moving
- For construction of a new building **with** residential and/or rental space, the borrower/OC (Procedural Notice 5000-703):
- In foreign countries (loans financing real or personal property located outside the United States or its possessions).** (13 CFR 120.881(b); SOP 50 10 4e, Sub H, Chap 11, Para 5)
10. All occupancy percentage and proceed requirements are met when the loan proceeds were used to acquire, build or renovate real property and borrower does not occupy 100%. (13 CFR §120.131) Yes ☐ No ☐ N/A ☐
- ✓ For construction of a new building **with** residential and/or rental space, the borrower/OC: (13 CFR §120.131(a); Procedural Notice 5000-703)
 - Can occupy at least 60% of the rentable property immediately and must continue to occupy no less than 60% of the rentable property for the term of the loan;
 - Can lease long term, no more than 20% of the rentable property to 1 or more occupants; and
 - Must plan to occupy within 3 years some of the remaining rentable property not immediately occupied or leased long term and occupy within 10 years all of the rentable property not leased long term.
 - ✓ For acquisition, renovation or reconstruction of an existing building **with** residential and/or rental space, conditions: (13 CFR §120.131(b))
 - Allow the borrower/OC(s) to lease out up to 49% of rentable property; and
 - Do not allow proceeds to be used to remodel or convert the space to lease out.
11. Franchise is eligible by SBA requirements (13 CFR §120.103(e); SOP 50 10 4e, Sub A, Chap 5, Para 6.) Yes ☐ No ☐ N/A ☐

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12. Principal(s) are eligible citizens or have eligible non-citizen status, exclusive of 912 issues already cited (13 CFR §120.110(e), SOP 50 10 4e, Sub A, Chap 2, Para 15.h.) Yes ☐ No ☐
- ✓ Status is U.S. citizen, Naturalized Citizen, or one of the following:
- ✓ Legal Permanent Resident (LPR or immigrant, also known as Permanent Resident Alien) with current/valid INS documents in file for any alien who owns 20% or more of the business (primary document evidencing INS status is INS Form I-551); and evidence that lender has verified INS status of each alien with INS Form 845; (Para 15.h.(3) and (4))
 - ✓ Non-Immigrant Aliens, (persons admitted to the U.S. for a specific purpose & for temporary period of time) with current/valid INS documents in file permitting them to reside in the U.S. legally; evidence that lender has verified INS status of each alien; evidence that separate continual & consistent management (in addition to the owners) exists & will continue indefinitely (management must be U.S. citizenship or verified LPR status); management must have operated the business for at least one year prior to the application date; and pledge collateral within the jurisdiction of the U.S. sufficient to pay the loan any time during its life; or (Para 15.h.(6) and (7))
 - ✓ Foreign Nationals (non-citizens who reside outside the U.S.) or Foreign Entities (businesses, organizations, etc. based in another country) (p 70-3 & 70-5) that operates primarily within the U.S.; pays taxes to the U.S.; and uses American products, materials, and labor; evidence that separate continual & consistent management (in addition to the owners) exists & will continue indefinitely (management must be U.S. citizenship or verified LPR status); management must have operated the business for at least 1 year prior to the application date; and pledge collateral within the jurisdiction of the U.S. sufficient to pay the loan any time during its life. Para 15.h.(5) and (7))
13. No actual or apparent conflicts of **borrower and/or lender** interest were detected (13 CFR §§120.140, 855; SOP 50 10 4e, Sub A, Chap 5, Para 2). Yes ☐ No ☐
14. The lender has followed prudent lending practices or other requirements (504 lending, etc.) in **evaluating and acquiring** available collateral. (13 CFR §120.934; SOP 50 10 4e, Sub H, Chap 14, Para 2) Yes ☐ No ☐
- The 504 project collateral is sufficient if the applicant:
- ✓ Has a strong, consistent cash flow that is more than adequate to support the new debt;
 - ✓ Has proven management;
 - ✓ Is an existing business; and
 - ✓ The project is a logical extension of the applicant's current operations.
15. As applicable, personal or corporate guaranties have been obtained in accordance with SBA policy. (13 CFR §120.160(a); SOP 50 10 4e, Sub A, Chap 5, Para 2) Yes ☐ No ☐ N/A ☐

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|-----|---|---------------------------------|--------------------------------|---------------------------------|
| 16. | <p>Lender has verified the borrower contribution prior to disbursement by making sure that outside cash has been moved into the business after the loan acceptance. (Examples include cleared checks & bank statements prior to disbursement, evidence of business account deposit, HUD-1, attorney certification, paid invoices, etc.) (Borrower promissory notes, gift letters or financial statements are not sufficient.) (13 CFR §120.910; SOP 50 10 4e, Sub H, Chap 13, Para 2)</p> <p>✓ If borrower contribution consists of land, the value of the land will be <u>at cost</u> if acquired within two years of application. If acquired prior to that time, the value will also be at cost unless a professional appraisal acceptable to SBA establishes a different value.</p> | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | |
| 17. | <p>The amount of Borrower Contribution is appropriate to the Project. (13 CFR §120.910, SOP 50 10 4e, Sub H, Chap 13, Para 2)</p> <p>✓ At least 15% if borrower has operated for two years or less (13 CFR §120.910(a)(1);</p> <p>✓ At least 15% if the Project involves a single purpose building or structure (13 CFR §120.910 (a)(2);</p> <p>✓ At least 20% if the Project is single purpose <u>and</u> the borrower has operated for two years or less (13 CFR §120.910(a)(3);</p> <p>✓ At least 10% in all other circumstances (13 CFR §120.910(a)(4).</p> | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | |
| 18. | <p>Any required appraisals and environmental assessments on primary collateral have been obtained and meet conditions outlined in authorization and/or credit memo (13 CFR §120.160(b); SOP 50 10 4e, Sub A, Chap 5, Para 3, 7)</p> | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |
| 19. | <p>Flood insurance determination has been made via FEMA Form 81-93, and flood insurance obtained when necessary. (13 CFR §120.170; SOP 50 10 4e, Sub A, Chap 5, Para 6(b))</p> | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |
| 20. | <p>All OTHER required insurance has been obtained. (13 CFR §120.160(c); SOP 50 10 4e, Sub A, Chap 5, Para 4).</p> | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |
| 21. | <p>Evidence that all required IRS tax transcript(s) have been obtained and reviewed (13 CFR §120.410(a); SOP 50 10 4e, Sub A, Chap 6, Para 4.f.)</p> <p>Lender has followed SBA policy to obtain IRS tax transcript(s) when applicable, and IRS tax transcript(s) and borrower's or seller's tax return or financial statements have been compared to verify that no substantial discrepancies exist</p> | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |
| 22. | <p>Was the SBA Form 1506 Servicing Agent Agreement in file and completed correctly by borrower and CDC to accept Colson as Servicing Agent? (13 CFR § 120.960; SOP 50 10 4e, Sub H, Chap 22, Para 3.d.(4))</p> | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | |
| 23. | <p>Stand-by agreements have been obtained and properly executed, when applicable. (13 CFR §120.410(a))</p> | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |
| 24. | <p>Evidence that lender performed a site visit or engaged in other intensive servicing activities when loan became 60 days past due or otherwise indicated reasons for elevated concern. (13 CFR §120.410(a))</p> | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |

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|-----|---|---------------------------------|--------------------------------|---------------------------------|
| 25. | Lender had prior written SBA approval for the following servicing & liquidation actions: (13 CFR §§120.513, 540,848(a)) | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |
| | <ul style="list-style-type: none"> ✓ Any action that would create a conflict of interest or confer any preference on the lender in collection or lien position with respect to SBA's position or the shared SBA/lender position on the guaranteed loan; (13 CFR §§120.513(a),SOP 50 10 4e, Sub A, Chap 5, Para 2) ✓ Accept a compromise settlement for less than the full amount due of the principal loan balance; (13 CFR §120.513(e)) ✓ Acceleration of the maturity of Note; (13 CFR §120.513(c)) ✓ Acquire environmentally impaired property; (SOP 50-50 (4) 6-4 & SOP 50-51(2) 10-10 & 10-11) ✓ Transfer of the loan to another lender; (SOP 50-50 (4) 6-4 & SOP 50-51(2) 10-11) ✓ Title property in the name of the Agency; or (SOP 50-51(2) 10-10). ✓ Incurring litigation legal fees exceeding \$5,000; (SOP 50-50 (4) 4-12, SOP 50-51(2) 10-13 & litigation sop for \$5,000) (Chap 4, Sec 11b, Chap 10 Sec 5f, & Chap 8 Sec 22b). | | | |
| | | | | |
| 26. | Lender has provided notice to SBA upon classification of the loan into "liquidation". (SOP 50-51-2, Chap 10, 5.C(1); Chap 8, Para 5) | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |
| | | | | |
| 27. | Lender has a written liquidation plan. (SOP 50 51 2, Chap 10, 5, f (1)) | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |
| | | | | |
| 28. | Evidence that, upon placing the loan in liquidation, lender performed timely site visits and took reasonable steps to secure the collateral.
(SOP 50 51 2, Chap 10, Para 5.d.(2), Chap 8, Para 8) | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |
| | | | | |
| 29. | Current appraisals were used by the lender to evaluate liquidation collateral. (SOP 50 51 2, Chap 16, Para 3(b)) | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |
| | | | | |
| 30. | If a liquiation case where title of property was taken, was an environmental review done prior to the acquisition of title? (SOP 50 51 2, Chap 6, 2(h); Chap 15, Para 16) | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |
| | | | | |
| 31. | Lender has forwarded all recoveries on repurchased debentures within 15 days of receipt. (SOP 50 51 2, Chap 10, Para 5.j.(3)(a)) | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |
| | | | | |
| 32. | The Wrap-Up Report has been completed and submitted to SBA when lender has determined the loan will not be fully repaid after all worthwhile collateral has been liquidated and no further recoveries are anticipated within a reasonable time. (SOP 50 51 2, Chap 10, Para 5.n.(1), Chap 10, Para 1.p.(1)) | Yes
<input type="checkbox"/> | No
<input type="checkbox"/> | N/A
<input type="checkbox"/> |

DESCRIBE/EXPLAIN ANY "NO" COMPLIANCE ANSWERS.

ATTACH ADDITIONAL PAGES AS NECESSARY.

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33. **Repayment assessment.** (13 CFR §§120.150(a), (c)-(e), (i), 848(c))

DSC Ratio _____ Credit Score(s) _____

Describe and assess lender's evaluation of repayment ability.

Was lender's repayment decision reasonably sufficient?

Fully explain any "No" answer. (13 CFR §120.848(a))

Yes No

☐☐

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34. **Capitalization assessment.**(13 CFR §§120.150(a), (c)-(e), (i), 848(c))

Describe and assess lender's approach to evaluation of business capitalization.

Was lender's capitalization decision reasonably sufficient and satisfactory? Fully explain any "No" answer. (13 CFR §120.848(a))

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

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35. **Management assessment.** (13 CFR §§120.150(a), (c)-(e), (i), 848(c))

Describe and assess lender's approach to evaluation of management ability.

Was lender's management ability decision reasonably sufficient?
Fully explain any "No" answer. (13 CFR §120.848(a))

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

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36. **Collateral perfection/closing requirements.** (13 CFR §§120.150(a), (c)-(e), (i), 848(c))

Describe and assess lender's closing and collateral perfection activities.

Were lender's closing activities reasonably sufficient?
Fully explain any "No" answer. (13 CFR §120.848(a))

Yes No
☐ ☐

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37. **Monitoring current creditworthiness** (within the last 12 months). (13 CFR §§120.150(a), (c)-(e), (i), 848(c))

Describe and assess lender's approach to monitoring borrower's current creditworthiness.

Was lender's monitoring of continued creditworthiness reasonably sufficient? Fully explain any "No" answer. (13 CFR §120.848(a))

Yes No
☐ ☐

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38. **Intensive servicing/liquidation activities** (as applicable)(13 CFR §§120.150(a), (c)-(e), (i), 848(c)) .

Describe and assess lender's approach to intensive servicing or liquidation.

Were lender's intensive servicing/liquidation activities reasonably sufficient and satisfactory? Fully explain any "No" answer. (13 CFR §120.848(a))

Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>